

InterGlobe Aviation Ltd.

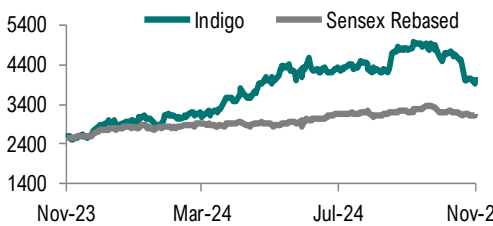
BUY

Sector: Aviation

07th November 2024

Key Changes	Target ▼	Rating ●	Earnings ▼	Target	Rs.4,675
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	INDIGO:IN	80,378	INDIGO	539448	12 Months
				CMP	Rs.4,062
				Return	+15%

Data as of: 06-11-2024

Company Data			
Market Cap (Rs. cr.)	1,56,354		
52 Week High — Low (Rs.)	5,033 - 2,493		
Enterprise Value (Rs. cr)	1,38,956		
Outstanding Shares (Rs cr)	38.6		
Free Float (%)	50.7		
Dividend Yield (%)	0.0		
6m average volume (cr)	0.1		
Beta	1.2		
Face value (Rs)	10.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	57.3	55.3	49.3
FII's	23.7	24.4	25.3
MFs/Institutions	15.1	15.4	20.7
Public	2.9	4.9	4.7
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-7.4%	-1.9%	52.4%
Absolute Sensex	0.7%	9.4%	22.4%
Relative Return	-8.2%	-11.3%	30.0%
*over or under performance to benchmark index			
			
Y.E March (cr)	FY24A	FY25E	FY26E
Sales	68,904	78,776	86,808
Growth (%)	26.6	14.3	10.2
EBITDA	16,293	16,768	20,663
EBITDA Margin (%)	23.6	21.3	23.8
PAT Adjusted	8,167	6,974	8,593
Growth (%)	-	(14.6)	23.2
Adjusted EPS	211.6	180.7	222.6
Growth (%)	-	(14.6)	23.2
P/E	19.2	22.5	18.2
P/B	82.9	17.6	8.9
EV/EBITDA	8.5	7.8	6.0
ROE (%)	-	128.7	65.1
D/E	-	2.0	1.1

Author: Anil R - Sr. Research Analyst

Higher costs impacted...

InterGlobe Aviation Ltd. (Indigo) is one of the most efficient low cost air carriers (LCCs) with a market share of 62% in the Indian aviation sector.

- In Q2FY25, revenue grew by 14% YoY and was healthy despite a seasonally weak quarter, while passenger's volume grew by modest 6.0% YoY.
- EBITDA declined by 42.5% YoY, largely due to the effect of seasonality, spike airport fees, and higher lease costs due to grounding of aircraft.
- Indigo reported a net loss of Rs.989cr, consequent to higher depreciation and interest expenses.
- The net aircraft addition was 32, taking the total fleet count to 410.
- We anticipate a recovery in passenger's growth in Q3 & Q4, supported by a better pricing environment. However, due to grounding of aircraft in the near term, the operational cost is likely to remain elevated.
- We lower our EPS estimates by 14% & 9.2% for FY25 & FY26E as factor higher cost.

Outlook & Valuation

Given the promising outlook for the sector, we maintain a positive view on Indigo, supported by its market leadership position (62%), ability to leverage its extensive network, cost-efficient fleet, and robust cash position. Looking ahead, we anticipate that healthy passenger volumes driven by seasonality, stable ticket prices, and a reduction in fuel prices will bolster earnings momentum in FY25E. **We value Indigo at a P/E of 21x on FY26E (8.6x EV/EBITDA) and maintain Buy with a target price of Rs.4,675.**

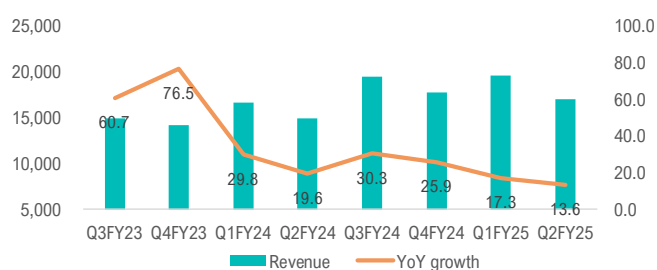
Quarterly Financials Standalone

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	16,970	14,944	13.6	19,571	(13.3)	36,540	31,627	15.5
EBITDA	1,618	2,813	(42.5)	5,146	(68.6)	6,764	7,788	(13.1)
EBITDA margin	39.4	18.8	2058bps	33.2	618bps	18.5	24.6	-611bps
EBIT	(460)	1,268	(136.3)	3,280	(114.0)	2,820	4,835	41.7
PBT	(9,094)	805	(1,229.7)	2,802	(424.6)	1,892	3,896	51.4
Reported PAT	(989)	805	(222.8)	2,727	(136.3)	1,738	3,896	55.4
Adjusted PAT	(989)	805	(222.8)	2,727	(136.3)	1,738	3,896	55.4
EPS (Rs)	(25.7)	20.9	(222.8)	70.9	(136.3)	45.2	101.3	55.4

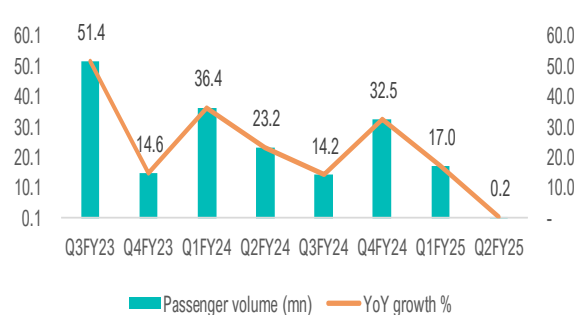
Key Concall Highlights

- Increased fuel costs are driven by increased VAT in some of the states and increases in oil marketing companies' charges.
- While the increase in CASK ex fuel ex forex was due to grounding of aircraft and related mitigation measures taken by the company.
- Out of 32 aircraft added in the quarter, 9 aircraft were on damp and secondary leases.
- Maintained early double-digit guidance of capacity additions for FY25.
- Announced tailor-made Indigo business class, which will be launched on the Delhi-Mumbai route in three weeks and will be available on 12 metro routes with a fleet of 40+ aircraft by the end of 2025.
- Launched its loyalty program, BluChip, in October, which offers rewards per spend on flights and ensures lifetime validity and hassle-free redemption on every flight.
- The company announced the launch of its venture capital arm, Indigo Ventures, which will invest in startups that have the potential to redefine the future of aviation and beyond.

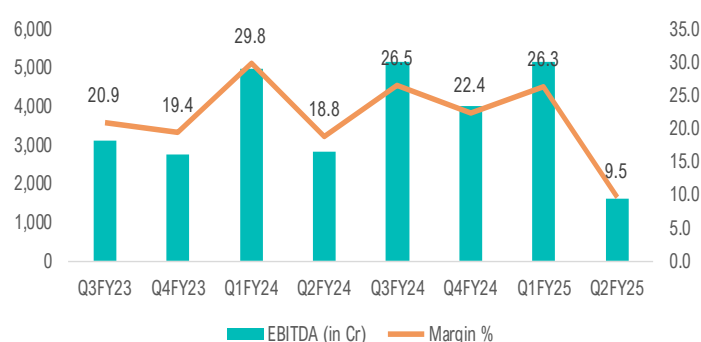
Revenue



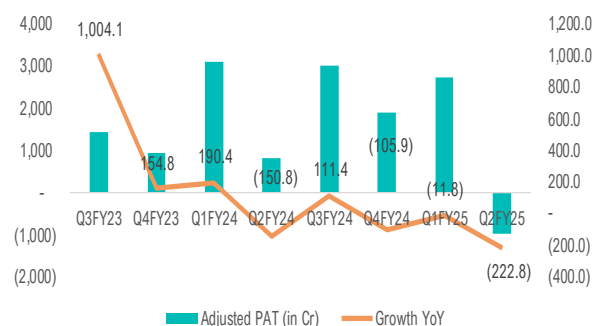
Passenger volumes (mn)



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	77,073	88,127	78,776	86,808	2.2	(1.5)
EBITDA	17,718	21,045	16,768	20,663	(5.4)	(1.8)
Margins (%)	23.0	23.9	21.3	23.8	(170bps)	(10bps)
Adj. PAT	8,135	9,462	6,974	8,593	(14.3)	(9.2)
EPS	210.8	245.1	180.7	222.6	(14.3)	(9.2)



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	25,931	54,446	68,904	78,776	86,808
% change	77.1	110.0	26.6	14.3	10.2
EBITDA	530	6,485	16,293	16,768	20,663
% change	2,183.2	1122.9	151.2	2.9	23.2
Depreciation	5,049	5,088	6,389	7,271	8,807
EBIT	(4,538)	1,384	9,887	9,497	11,856
Interest	2,358	3,132	4,169	4,772	5,347
Other Income	725	1,431	2,326	3,101	3,600
PBT	(6,171)	(317)	8,043	7,827	10,109
% change	(5.9)	94.9	2,639.6	-2.7	29.2
Tax	-	-	(124)	853	1,516
Tax Rate (%)	0.0	0.0	0.0	0.1	0.2
Reported PAT	(6,171)	(317)	8,167	6,974	8,593
Adj.*	-	-	-	-	-
Adj. PAT	(6,171)	(317)	8,167	6,974	8,593
% change	(5.9)	94.9	2,678.8	(14.6)	23.2
No. of shares (cr)	38.5	38.6	38.6	38.6	38.6
Adj EPS (Rs)	(160.2)	(8.2)	211.6	180.7	222.6
% change	(5.8)	94.9	2675.9	(14.6)	23.2
DPS (Rs)	0.0	0.0	0.0	0.0	0.0

CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	(1,103)	4,785	14,573	14,244	17,399
Non-cash adj.	2,421	4,798	2,271	1,671	1,747
Changes in W.C	746	3,120	4,338	(1,989)	(2,319)
C.F. Operation	2,064	12,703	21,183	13,925	16,828
Capital exp.	(339)	(532)	(992)	(14,010)	(16,000)
Change in inv.	1,173	(4,354)	(11,932)	(5,000)	(5,000)
Other invest.CF	692	831	1,167	3,101	3,600
C.F - Investment	1,526	(4,055)	(11,756)	(15,909)	(17,400)
Issue of equity	28	22	42	-	-
Issue/repay debt	(3,070)	(8,420)	(9,960)	6,500	8,500
Dividends paid	-	-	-	-	-
Other finance.CF	(46)	(34)	(61)	(4,772)	(5,347)
C.F - Finance	(3,088)	(8,432)	(9,979)	1,728	3,153
Chg. in cash	503	232	(555)	(255)	2,581
Closing cash	1,012	1,244	689	434	3,015

Balance Sheet

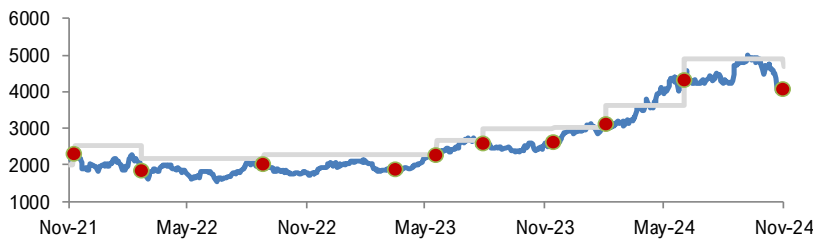
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	1,012	1,244	689	434	3,015
Accounts Receivable	333	520	643	755	832
Inventories	408	591	625	781	825
Other Cur. Assets	14,372	17,208	27,202	31,295	34,485
Investments	8,033	11,514	16,453	21,453	26,453
Gross Fixed Assets	33,095	43,052	57,341	71,341	87,341
Net Fixed Assets	21,261	27,639	35,989	42,718	49,911
CWIP	119	-	0	10	10
Intangible Assets	27	31	49	49	49
Def. Tax (Net)	295	295	419	419	419
Other Assets	-	-	-	-	-
Total Assets	45,860	59,043	82,069	97,915	1,16,000
Current Liabilities	6,522	8,318	9,937	11,846	12,509
Provisions	1,325	1,591	2,774	3,237	3,567
Debt Funds	416	-	-	-	-
Other Liabilities	7,171	10,583	16,146	17,646	19,146
Equity Capital	385	386	386	386	386
Reserves & Surplus	(6,421)	(6,689)	1,546	8,520	17,112
Shareholder's Fund	(6,035)	(6,303)	1,932	8,906	17,498
Total Liabilities	45,860	59,043	82,069	97,915	1,16,000
BVPS	(157)	(164)	50	232	455

Ratios

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	2.0	11.9	23.6	21.3	23.8
EBIT margin (%)	(17.5)	2.5	14.3	12.1	13.7
Net profit mgn.(%)	(23.8)	(0.6)	11.9	8.9	9.9
ROE (%)	206.9	5.1	373.7	128.7	65.1
ROCE (%)	(79.9)	96.5	110.4	50.3	41.6
W.C & Liquidity					
Receivables (days)	3.9	2.9	3.1	3.2	3.3
Inventory (days)	7.1	5.1	5.6	5.4	5.8
Payables (days)	97.4	75.3	83.5	83.7	88.6
Current ratio (x)	2.1	2.0	2.3	2.2	2.4
Quick ratio (x)	0.2	0.1	0.1	0.1	0.3
Turnover & Leverage					
Gross asset T.O (x)	0.9	1.4	1.4	1.2	1.1
Total asset T.O (x)	0.6	1.0	1.0	0.9	0.8
Int. covge. ratio (x)	NA	0.4	2.4	2.0	2.2
Adj. debt/equity (x)	(1.3)	(1.7)	NA	2.0	1.1
Valuation					
EV/Sales (x)	5.6	2.6	2.0	1.7	1.4
EV/EBITDA (x)	274.6	22.1	8.5	7.8	6.0
P/E (x)	NA	NA	19.2	22.5	18.2
P/BV (x)	NA	NA	82.9	17.6	8.9



Recommendation Summary (last 3 years)



Dates	Rating	Target
09.June.21	ACCUMULATE	1,984
25.Feb.22	BUY	2,188
01.Sept.22	BUY	2,281
23.Mar.23	BUY	2,282
24.May.23	BUY	2,679
04.Aug.23	BUY	3,005
20.Nov.23	BUY	3,008
08.Feb.24	BUY	3,624
07.Jun.24	BUY	4,903
07.Nov.24	BUY	4,675

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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